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Country of origin labeling guidelines

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Niche market development

Development of a product with a trait sought after by high-end consumers is perhaps the most direct route to realizing increased returns. But getting the product to the customer through existing retail outlets in sufficient quantities is often a daunting task. MBA Poultry of Tecumseh, Nebraska, cools its freshly harvested birds in cold air instead of dunking them in a stream of chilled water. The cost of air chilling is greater but with this innovation, the meat does not absorb water and there is less spread of salmonella. After some marketing and production missteps, which included promising more product than could be delivered, MBA Poultry is now selling product in 1,400 midwestern stores.

Producer marketing orders

A federal marketing order allows producers to coordinate their decisions to enhance the returns from growing and selling some agricultural products. Marketing orders are often used to guarantee minimum quality standards, which can serve two purposes. The ostensible purpose is to increase quality to increase consumer acceptance and demand. An indirect effect of this control in quality is a control of quantity that can result in increased price. For example, domestic and export demands for California pistachios would grow if all California producers and processors were to adopt procedures that limit the growth of aflatoxin. One way to force producers to adopt such practices is to develop a marketing order for pistachios that would empower an administrative committee to enforce uniform quality standards for pistachios. A hearing to establish such a marketing order for pistachios was held in July of 2002. Adoption of the marketing order and safer production and handling practices would increase costs somewhat, but advocates of the marketing order argue that the resulting price increase would more than offset any increase in cost.

What is "efficient" agriculture?

The never-ending quest for low cost and efficiency has guided the structure of U.S. agriculture for the last one hundred years. But as incomes continue to rise, the definition of what constitutes an efficient production method may change to reflect increased willingness to pay for product quality. That is, once we can afford all the food we could possibly want to eat, we will then begin demanding more high-end food that often can only be produced using costly production practices. Once this occurs, agriculture must develop new market channels and market regulations to give producers who invest in product quality a chance to obtain a return on their investment. Only if these new markets are developed can there be a fundamental change for a significant portion of U.S. agriculture.

Country of origin labeling guidelines

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USDA released the implementation guidelines for the Voluntary Country of Origin Guidelines (COOL) as mandated by the 2002 Farm Bill, effective October 11, 2002. The guidelines are an 18 page document available at http://www.ams.usda.gov/cool/.

On October 16, USDA hosted a conference call in which a USDA representative was available to answer questions regarding the details of the new system. This article reports on the published guidelines and the additional details that emerged in the conference call.

The voluntary system will be in effect until September 30, 2004, after which the law becomes mandatory. The law applies only to retail outlets with volume larger than $230 thousand dollars in gross sales of covered commodities.

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Exemptions include products sold through food service establishments, and products that are ingredients in a processed food item. Smaller butcher shops and other retail outlets are exempt from the legislation if they fall below minimum volume threshold.

Labels allowed

Meat products covered in the legislation qualify for a "product of the United States" label only if it was derived from an animal that was born, raised, and slaughtered in the United States. There was widespread disagreement in the industry regarding how to label feeder pigs and feeder cattle that were born in Canada or Mexico but raised and slaughtered in the United States. While the meat would not qualify for a US country of origin label, it would be misleading to label them as originating from the importing country as most of the production occurred in the United States. To address this issue, USDA created separate "Born In", "Raised In", or "Processed In" labels. For example, pork produced from Canadian feeder pigs that were raised and slaughtered in Iowa would bear the label "Born in Canada, Raised and Slaughtered in the United States."

Labeling requirements for ground beef and pork were also a controversial issue. Ground beef sold at retail is often blended from cattle originating in multiple countries. Therefore, the product as packaged cannot be accurately attributed to a single country. USDA addressed this issue by requiring the countries of origin to be listed in descending order of prominence by weight. Furthermore, USDA determined that cooked or cured products were exempt from labeling requirements. Consequently, ham, bacon, and ground sausage do not require country of origin labels.

Required record keeping

Another major issue in the implementation of COOL is the record keeping and documentation that will be required. The USDA guidelines state, "A verifiable record keeping audit trial shall be maintained." The records should be maintained by all participants in the production chain, kept "readily accessible," and remain on file for two years. The guidelines, however, do not specifically enumerate any acceptable record keeping standard. Rather, those interested in implementing the voluntary system are advised to contact USDA for further instructions. In the October 16 conference call, the USDA representative explained that self-certification (an affidavit stating that animals are of US origin) would not be sufficient.

Although the law forbids USDA from requiring an individual animal identification, the new labeling requirements may drive the industry into voluntarily developing such a system. Given the structure of the beef and pork industries, particularly with the commingling of cattle from different sources that occurs at feeder cattle auctions and feedlots, industry experts believe it would be difficult to develop a credible labeling system without individual identification.

A question that emerged from the teleconference is what happens to animals without country of origin documentation? Under the current guidelines, USDA did not create an "unknown origin" label. Consequently, meat products without country of origin documentation cannot be marketed through retail outlets. Rather, these products will likely be channeled to food service, additional processing, or some other exempt outlet. This issue may impact the heifers and young cows in the current breeding herd, as they will be culled after the mandatory system is in effect. If adequate birth records for these animals do not exist, they will not qualify for a "product of United States" label (and any accompanying benefits) when they are slaughtered.

Enforcement and accountability

Enforcement is another issue that is yet to be worked out. During the two-year voluntary phase, USDA does not anticipate taking any enforcement action. After the mandatory phase begins, each violation results in a $10,000 fine.

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Who will be responsible for violations? A substantial number of responses to the solicitation for public comments were from retailers that object to being held responsible for false information passed to them from suppliers. According to the USDA representative participating in the discussion, the first point of enforcement will be the retail level. However, if the retailer can document reasonable efforts to verify the accuracy of labeling information that turned out to be false, accountability can be passed on to suppliers. **Nevertheless, USDA does not expect to conduct random audits on the wholesale or farm level. Any audits at these segments of the production chain would be a result of complaints originating at the retail level.**

Implications to the industry

COOL may require packers to segregate animals both before and after slaughter, devoting specific shifts or production days to animals qualifying for a particular label. To minimize segregation costs, some speculation suggests packers may choose to exclusively slaughter animals that qualify for specific label. For example, a plant that currently slaughters relatively few hogs of Canadian birth may choose to accept only US born pigs once the system is implemented. If this were to happen, some finishers may find their packers will no longer buy their hogs. This mechanism could trigger discounts for non-US labeled products that many proponents had hoped for.

Livestock handlers such as auction barns may also need to implement segregation practices or some type of source verification system that allows the country of origin identity to be preserved.

Although the guidelines answered many questions, there is still a large amount of uncertainty regarding how COOL will impact the livestock industry. Based on the public comments after the release of the guidelines, there are a wide variety of opinions regarding the magnitude of the costs and benefits, along with how they are distributed thought the production chain.

What should producers do?

- Talk to packers about their plans for implementing COOL.
- Begin developing an on-farm record keeping system.
- Be able to match bill of sale, health papers, or birth records with inventory and sales.
- Ask for similar information on purchased animals.
- Explore documentation systems offered by suppliers or organizations.
- Stay tuned.

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